

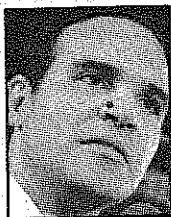
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R.I. bond rating may drop

Fitch, one of the country's three biggest rating agencies, fired a shot across Rhode Island's bow last week by reporting that ratings on the state's \$1.5 billion in bonds



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may be lowered in the next six months because of weak tax collections and lowered financial forecasts for the current and coming fiscal years.

Fitch placed the state on "rating watch negative" in advance of the state going to market to refinance \$51 million in outstanding bonds. Fitch maintained the state's AA status but notified investors a downgrade may be coming.

"The action by Fitch Ratings is a signal that they will be

watching the upcoming budget process and expect to see serious actions taken, not the quick fixes that the state has relied on in the past," General Treasurer Frank Caprio said. "In the past, we have preserved our bond rating because of strong financial controls, most notably a fully funded reserve account."

State budget analysts have forecast reduced sales- and income-tax collections and budget deficits of \$150 million this fiscal year and up to \$450 million for the year that starts July 1.

The other two, big bond-rating agencies, Moody's and Duff & Phelps, are expected to issue reports on Rhode Island's debt this week.